COMMITTEE LANGUAGE FOR FISCAL YEAR 2002

V-22 (MEDIUM LIFT)
ACCOUNT: APN

PRESBUD	HASC	SASC	CASC	HAC	SAC	CAC
(12)1,080,808	(12)1,080,808	(9)854,108	(11) 959,881	(6)861,808	(9)783,181	783,181

V-22 (MEDIUM LIFT) ADVANCE PROCUREMENT (CY)
ACCOUNT: APN

PRESBUD	HASC	SASC	CASC	HAC	SAC	CAC
70,927	70,927	70,927	48,428	70,927	36,428	36,428

V-22A
ACCOUNT: RDT&E, Navy

PRESBUD	HASC	SASC	CASC	HAC	SAC	CAC
546,735	446,735	451,735	446,735	446,735	546,735	446,735

CV-22 SOF MODS
ACCOUNT: Procurement, Defense Wide

PRESBUD	HASC	SASC	CASC	HAC	SAC	CAC
28,202	0	0	0		28,202	18,202

HASC LANGUAGE (Rpt. 107-194)

Page 64, Aircraft Procurement, Navy

5	V-22 (MEDIUM LIFT)	12	1,080,808			12	1,080,808
5	V-22 (MEDIUM LIFT)	-	(70,927)			-	(70,927)
6	V-22 (MEDIUM LIFT)	-	-			-	-
6	V-22 (MEDIUM LIFT)	-	-			-	-
6	V-22 (MEDIUM LIFT)	-	48,428			-	48,428
7	AH-1W (HELICOPTER) SEA COBRA	-	1,383			-	1,383

Page 138, Procurement, Defense Wide

39	MC-130H COMBAT TALON II	-	10,427			-	10,427
40	CV-22 SOF MODIFICATION	-	28,202		(28,202)	-	-
41	AC-130U GUNSHIP ACQUISITION	-	8,705			-	8,705

Page 78, RDT&E, Navy

0604261N	106 ACOUSTIC SEARCH SENSORS	16,825			16,825
0604262N	107 V-22A	546,735		(100,000)	446,735
0604264N	108 AIR CREW SYSTEMS DEVELOPMENT	7,717			7,717

Contains no language.

SASC LANGUAGE (Rpt. 107-62)

Page 55, Aircraft Procurement, Navy

4	F/A-18E/F (FIGHTER) HORNET (MYP) (AP-CY)		88,876					88,876
5	V-22 (MEDIUM LIFT)	12	1,009,881	-3	(226,700)	9		783,181
6	V-22 (MEDIUM LIFT) (AP-CY)		48,428					48,428

Page 110, Defense-Wide Procurement

39	MC-130H COMBAT TALON II	10,427		10,427
40	CV-22 SOF MODIFICATION	28,202	(28,202)	
	Reflect Delay of CV-22 Procurement		[-28,202]	
41	AC-130U GUNSHIP ACQUISITION	8,705		8,705

Page 160, RDT&E, Navy

107	0604262N	V-22A	546,735	(95,000)	451,735
		Defer Building SOCOM CV-22 EMD Aircraft		[-100,000]	
		USD (AT&L) Review of Alternatives		[5,000]	

Pages 76 - 80, Aircraft Procurement, Navy

V–22 Osprey aircraft (sec. 123)

The budget request included a proposal to restructure the V–22 tilt-rotor aircraft program to implement recommendations from the Panel to Review the V–22 Program. To implement this restructured program, the budget request included:

(1) $546.7 million in PE 64363N for continued development of the V–22, including:

(a) $318.3 million to continue logistics, flight testing, and flight testing support, address correction of deficiencies, and provide funding for cost overruns in the Marine Corps (MV–22) and the Special Operations Command (CV–22) variants;

(b) $103.2 million to: continue CV–22 development efforts; provide engine support and repair of spare parts for CV–22 flight testing; complete CV–22 software development efforts; continue radar development testing for the CV–22; and conduct CV–22 initial operational testing and evaluation (IOT&E);

(c) $25.2 million for Navy field and other support activities; and

(d) $100.0 million to continue the development of two CV–22 aircraft for IOT&E.

(2) $1.3 billion in Aircraft Procurement, Navy, including:

(a) $1.0 billion for buying aircraft;

(b) $48.4 million for advance procurement;

(c) $35.0 million for aircraft modifications; and

(d) $232.9 million for spare parts.

(3) $136.5 million in Aircraft Procurement, Air Force, for the Special Operations Command (SOCOM), including:

(a) $95.1 million for buying aircraft;

(b) $15.0 million for advance procurement; and

(c) $26.4 million for spare parts.

The budget request also included funds in the Special Operations Command budget for CV–22-related activities. These funds are addressed elsewhere in this report.

The committee remains very concerned about how the Marine Corps and the Air Force are going to meet the requirements established for the V–22 program. Recognizing these requirements, the Congress had been providing strong support to the V–22 program.

However, two aircraft were lost during calendar year 2000, costing the lives of 23 Marines, and raising significant issues about the efficacy of the program.

There were other concerns about the program even before the second accident. The latter accident occurred after the Navy operational testers had completed the required operational test and evaluation. The program office was seeking a decision to proceed to full-rate production in early December 2000, but the Director of Operational Test and Evaluation (DOT&E) had raised concerns about the aircraft's demonstrated operational suitability. These concerns caused the Assistant Secretary of the Navy (Research, Development and Acquisition) to delay a final decision on full-rate production, during which time the second aircraft and crew were lost.

As a result of these accidents, the Secretary of Defense commissioned a review by a panel of experts of all aspects of the V–22 program.

That group, called the Panel to Review the V–22 Program, conducted a review over several months. Earlier this year, the committee heard testimony from the Panel on its report. The Panel recommended that the Department, ''Proceed with the V–22 Program, but temporarily reduce production to a minimum sustaining level to provide funds for a Development Maturity Phase, and keep to a minimum the number of aircraft requiring retrofit.'' The Panel's report made a number of other, more detailed recommendations.

While the Panel was conducting its review, allegations of falsification of maintenance data were lodged against members of the Marine Corps. The Secretary of Defense, in part at the suggestion of the committee leadership, charged the Department of Defense Inspector General (DOD IG) with investigating these allegations.

The DOD IG has provided his report to the Commandant, who has referred some individuals for disciplinary procedures under the Uniform Code of Military Justice. The committee will follow the disposition of these cases.

The Department, in the request for supplemental appropriations for fiscal year 2001, proposed a major shift of funds from production to research and development activities to respond to the Panel's recommendations. The V–22 program office has developed several versions of a plan to implement the Panel's recommendations and to proceed with the program. However, the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD (AT&L)) has not made a decision about how or whether to proceed with the V– 22 program.

The committee has received interim reports from the program office, pending a decision by the Under Secretary. The committee understands that these are necessarily preliminary, but there are a number of conclusions that may be drawn now:

(1) The contractor team has informed the government that the costs for producing V–22 aircraft in fiscal year 2001 have increased.

(2) The program office has concluded they may only be able to afford to buy 10 aircraft with the funds that were thought to be sufficient to buy 11 aircraft in fiscal year 2001. Affording even this quantity, however, means that the program office would have to shift some portion of the fiscal year 2001 spare parts funds from their intended purpose to buy the tenth aircraft.

(3) The program office suggests that, if Congress were to withhold funding for two CV–22 aircraft for beginning IOT&E, there are a number of other possible uses of some of those funds within the program, including:

(a) $46.0 million to invest in various cost reduction initiatives that would yield a return ratio of 14:1, and would be applicable to both the MV–22 and the CV–22 production effort;

(b) $25.0 million to continue funding of spares unique to the CV–22 EMD aircraft, and support an avionics lab effort; and

(c) $10.0 million to fund cost reduction initiatives for CV–22-unique components of the suite of integrated radio frequency countermeasures (SIRFC).

The committee recognizes the importance of fielding replacements for the helicopter fleets that the Marine Corps (CH–46) and SOCOM (MH–53) are now operating. The committee recommends a provision and additional funding elsewhere in this report to ensure that a full range of alternatives would have been reviewed and the Department would be ready to move forward in case the USD (AT&L) were to decide against proceeding with the V–22 pro-gram. Nevertheless, the committee believes that the V–22 program should not move forward more

rapidly than can be justified by actual progress in solving the problems identified by the Panel, and resolving uncertainties about operational effectiveness and operational suitability identified by the DOT&E.

The committee recommends a provision that would require that the V–22 program remain at the minimum sustaining production rate until the Secretary of Defense determines that successful operational testing has demonstrated that: (1) solutions to the problems in the reliability of hydraulics system components and flight control software are adequate to achieve low risk for aircrews and passengers in operational conditions; (2) the V–22 aircraft can achieve sufficient reliability and maintainability levels such that the operational availability of the aircraft will achieve the level required forfleet aircraft; (3) the V–22 aircraft will be operationally effective in operations when employed with other V–22 aircraft, and when V–22 aircraft are employed in operations with other types of aircraft; and (4) V–22 aircraft can be operated effectively in spite of the downwash effects inherent in this aircraft.

Documentation submitted by the Navy supporting the fiscal year 2001 budget request estimated that four aircraft would be the minimum sustaining rate (MSR) for production. This year, the Navy has raised the estimated MSR level to 12 aircraft.

The committee agrees with the Panel that production should be kept to a minimum sustaining rate in order to minimize the number of aircraft requiring retrofit. The committee believes that reducing production in fiscal year 2002 to the previous MSR level of four aircraft would be too severe an action. However, the committee does not understand why the new MSR has been raised to a level of 12, when the contractor team delivered nine aircraft during calendar year 2000.

The committee also agrees with the Panel that more robust funding of spares and support equipment is warranted if the program moves forward. However, providing spare parts funding in fiscal year 2002 at the same level as that supporting procurement of 11 aircraft in fiscal year 2001 should be adequate to support nine aircraft in fiscal year 2002.

Finally, the committee agrees with the sentiment expressed in the statement of managers to accompany the conference report on the Fiscal Year 2001 Supplemental Appropriations Act (H. Rept. 107–138) regarding the CV–22 portion of the program. The managers concluded that, ‘‘The conferees remain supportive of the goals of the Special Operations Command concerning the CV–22, but believe that all issues with the program restructure need to be resolved before acquisition of CV–22 test articles is warranted.’’

Therefore, the committee recommends a series of adjustments to the funding in the budget request:

(1) for the research and development effort, the committee recommends approving all activities, except acquisition of two CV–22 aircraft for IOT&E (a reduction of $100.0 million);

(2) for the procurement for the Marine Corps, the committee recommends:

(a) approving production of nine aircraft in fiscal year 2002 (a reduction of $226.7 million);

(b) approving the same funding level for spares as that level funded for 11 aircraft in the fiscal year 2001 budget, as adjusted by the Fiscal Year 2001 Supplemental Appropriations Act (a reduction of $99.0 million); and

(c) approving the budget request for advance procurement and aircraft modifications.

(3) for procurement for the Air Force, the committee recommends no funding (a reduction of $136.5 million).

The committee is troubled by the potential actions being recommended by the program for executing the fiscal year 2001 program.

Shifting funds from the spare parts account to buy a tenth aircraft would appear to violate one of the primary recommendations of the Panel. It certainly would forego the opportunity of investing fiscal year 2001 resources immediately in seeking the cost reductions that should be at the top of the program’s list of priorities. Therefore, the committee recommends that the Department use the fiscal year 2001 V–22 funds that might have gone to build a tenth aircraft instead to pursue the cost reduction initiatives and CV–22 spares and avionics lab efforts.

Page 113, Defense-Wide Procurement

CV–22 procurement

The budget request included $28.2 million for procurement of Special Operations Forces (SOF) peculiar equipment and engineering support for the CV–22, the SOF variant of the V–22 Osprey.

However, the Air Force subsequently decided to delay fielding of the CV–22 to reflect the restructuring of the overall MV/CV–22 program into a phased return to flight and fleet introduction. As a result, the fiscal year 2002 procurement funding request is in excess of requirements. The committee recommends a decrease of $28.2 million in the Special Operations Force CV–22 SOF Modification procurement account.

Pages 230 – 231, Defense-Wide Procurement

CV–22 research and development

The budget request included $101.7 million in PE 1160444BB for research, development, test and evaluation for the CV–22, the Special Operations Forces (SOF) variant of the V–22 Osprey. However, the Air Force subsequently decided to delay fielding of the CV–22to reflect the restructuring of the overall MV/CV–22 program into a phased return to flight and fleet introduction. Most of the re-search and development planned for fiscal year 2002 is necessary to achieve full operations capability for the CV–22, and the committee supports a continuation of this work. However, a portion of the fiscal year 2002 request is no longer needed, and the committee recommends a decrease of $1.9 million in PE 1160444BB.

CASC LANGUAGE (Rpt. 107-333)

Page 435, Aircraft Procurement, Navy

V-22 (MEDIUM LIFT)	12	1,009,881	12	1,009,881	9	783,181	-1	(50,000)	11	959,881	435
V-22 (MEDIUM LIFT) (AP-CY)		48,428		48,428		48,428				48,428	

Page 548, RDT&E, Navy

107	0604262N	V-22A	546,735	446,735	451,735	(100,000)	446,735
		Defer Building SOCOM CV-22 EMD Aircraft		[-100,000]	[-100,000]	[-100,000]	
		USD (AT&L) Review of Alternatives			[5,000]		
108	0604264N	Air Crew Systems Development	7,717	7,717	12,717	3,000	10,717

Page 502, Procurement, Defense-wide

40	CV-22 SOF MODIFICATION	28,202			(28,202)		
	Reflect Delay of CV-22 Procurement		[-28,202]	[-28,202]	[-28,202]		
41	AC-130U GUNSHIP ACQUISITION	8,705	8,705	8,705		8,705	502

Page 514, Navy Programs

V–22 Osprey aircraft program (sec. 123)

The Senate bill contained a provision (sec. 123) that would keep the production rate of V–22 aircraft at the minimum sustaining rate, defined as the number for which funds are authorized to be appropriated in this Act, until the Secretary of Defense certifies to Congress that operational testing has successfully demonstrated certain effectiveness and suitability aspects not yet demonstrated.

The House amendment contained no similar provision.

The House recedes.

The conferees note that this provision is consistent with the recommendations of the report of the Panel to Review the V–22 Program, which was released in May 2001.

Report on status of V–22 Osprey aircraft before resumption of flight testing (sec. 124)

The Senate bill contained two provisions relating to reports that would be required before the V–22 could return to flight status. One provision (sec. 124) would require the Secretary of Defense to notify Congress of the waiver, if any, of any item capability or other requirement specified in the V–22 Joint Operational Requirements

Document, along with justification for any such waiver. The provision would require that any such notice be given at least 30 days before the V–22 resumes flight operations.
The second provision (sec. 215) would require the Under Secretary
of Defense (Acquisition, Technology, and Logistics) to submit a report, 30 days before V–22 resumption of flight, that would include:
(1) a description of any hydraulics and flight control software deficiencies and corrective actions;
(2) actions to implement the recommendations of the Panel to Review the V–22 Program; and
(3) an assessment of the recommendations of the National Aeronautics and Space Administration in its report on tiltrotor aeromechanics.
The House amendment contained no similar provisions.
The House recedes with an amendment that would combine the reporting requirements into one provision, and would require the Secretary of Defense to submit the report no later than 30 days prior to V–22 resumption of flight.

HAC LANGUAGE (Rpt. 107-298)

Page 110, Aircraft Procurement, Navy

	Request	Recommended	request
V–22 (MEDIUM LIFT)	1,009,881	790,881	–219,000
Reduce 3 aircraft			–219,000
SH–60R	25,064	10,064	–15,000
Non Recurring—Schedule Slip			–15,000

Page 112, Aircraft Procurement, Navy

F/A-18E/F (FIGHTER) HORNET (MYP) (AP-CY)	--	88,876	--	88,876	--	---
V-22 (MEDIUM LIFT)	12	1,009,881	9	790,881	-3	-219,000
V-22 (MEDIUM LIFT) (AP-CY)	--	48,428	--	48,428	--	---
AH-1W (HELICOPTER) SEA COBRA	--	1,383	--	1,383	--	---
SH-60R	--	25,064	--	10,064	--	-15,000

Page 181, RDT&E, Navy

NAVY AREA MISSILE DEFENSE	388,496	0	–388,496
Transfer to Title IX—RDTE, BMDO			–388,496
V–22A	546,735	446,735	–100,000
Program Restructure			–100,000
AIR CREW SYSTEMS DEVELOPMENT	7,717	19,217	+11,500

Page 190, RDT&E, Navy

H-1 UPGRADES	170,068	170,068	---
ACOUSTIC SEARCH SENSORS	16,825	16,825	---
V-22A	546,735	446,735	-100,000
AIR CREW SYSTEMS DEVELOPMENT	7,717	19,217	+11,500
EW DEVELOPMENT	112,473	121,473	+9,000

Page 150, Defense-Wide Procurement

SOF ROTARY WING UPGRADES	--	(9,084	--	84,084	--	+9,000
MC-130H COMBAT TALON II	--	10,427	--	10,427	--	---
CV-22 SOF MODIFICATION	--	28,202	--	28,202	--	---
AC-130U GUNSHIP ACQUISITION	--	8,705	--	8,705	--	---
C-130 MODIFICATIONS	--	8,176	--	8,176	--	---

Page 111, Aircraft Procurement, Navy

The Navy requested $1,009,881,000 for the procurement of 12 V–22 aircraft. The Committee recommends $790,881,000 for 9 aircraft, a reduction of $219,000,000 and 3 aircraft. Earlier this year the Marine Corps was provided with an additional two MV–22 air-craft in the Fiscal Year 2001 Emergency Supplemental Appropriations Act (Public Law 107–20).

In all, for fiscal year 2002 the Defense Department requested a total of $2,100,918,000 in all appropriations accounts for twelve MV–22 aircraft. The Committee recommends $1,815,418,000 for eleven aircraft, a reduction of $285,500,000. Of the amount recommended by the Committee, $790,881,000 is for the procurement of nine MV–22 aircraft for the Marine Corps, and $208,202,000 is for procurement and modifications for two CV–22 aircraft for the U.S. Special Operations Forces. This transfer of budgetary resources to the CV–22 program will enable the Department to commence initial operational testing on an accelerated basis as recommended jointly by the Marine Corps and the Special Operations Command. It is also the Committee's recommendation that until such a time that the V–22 program has completed its program re-structure, and returned to flight status, the overall production rate should be held to no more than 11 aircraft per year.

SAC LANGUAGE, (Rpt. 107-109)

Page 75, Aircraft Procurement, Navy

CTJ	.....	66,670	.....	66,670	.....	.....
5 V–22 (MEDIUM LIFT)	12	1,009,881	9	783,181	—3	—226,700
6 V–22 (MEDIUM LIFT) (AP–CY)	.....	48,428	.....	36,428	.....	—12,000
7 AH–1W (HELICOPTER) SEA COBRA		1,282		1,282		
46 COMMON AVIONICS CHANGES	.....	65,147	.....	65,147	.....	.....
47 V–22 (TILT/ROTOR ACFT) OSPREY	.....	35,000	.....	.....	.....	—35,000

Page 76, Aircraft Procurement, Navy

Excessive Growth: Ancillary Support Equipment	.....	.....	.....	—35,000
5 V–22 (MEDIUM LIFT)	.....	1,009,881	783,181	—226,700
Purchase 9 vice 12 Aircraft	.....	.....	.....	—226,700
6 V–22 (MEDIUM LIFT) (AP)	.....	48,428	36,428	—12,000
Excessive Growth: Unrealistic Schedule	.....	.....	.....	—12,000
8 CH–53E		65,964	19,564	6,500

Page 76, Aircraft Procurement, Navy

Unjustified Increases: Directional Control Mods	.....	.....	.....	—7,200
47 V–22 (TILT/ROTOR ACFT) OSPREY	.....	35,000	.....	—35,000
Unjustified Funding	.....	.....	.....	—35,000
48 SPARES AND REPAIR PARTS	.....	1,420,252	1,305,452	—114,800
Excessive Growth: V–22	.....	.....	.....	—99,000

Page 119, RDT&E, Navy

106	ACOUSTIC SEARCH SENSORS	16,825	16,825	.....
107	V–22A	546,735	546,735	.....
108	AIR CREW SYSTEMS DEVELOPMENT	7,717	27,717	20,000

Page 123, RDT&E, Navy

104	NAVY AREA MISSILE DEFENSE	388,496	.....	—388,496
107	V–22A	546,735	546,735	.....
109	EW Development	112,472	112,472	

Page 102, Procurement, Defense-wide

39	MC–130H COMBAT TALON II	10,427	7,427	.....	—3,000
40	CV–22 SOF MODIFICATION	28,202	.....	.....	—28,202
41	AC–130U GUNSHIP ACQUISITION	8,705	8,705		

Page 103, Procurement, Defense-wide

40	CV–22 SOF MODIFICATION	28,202	.....	—28,202
	Production Delay	.....	.....	—28,202
44	ADVANCED SEAL DELIVERY SYSTEM	23,400	27,400	3,000

Page 77, Aircraft Procurement, Navy

V–22

The Committee recommends reducing the funding requested for V–22 aircraft purchases to the level approved by the Senate in the fiscal year 2002 National Defense Authorization bill. Funding also is reduced for advance procurement, spares, and modernization in a manner consistent with the reduction in aircraft purchase levels.

Page 104, Procurement, Defense-wide

CV–22 SOF modifications

The Committee recommends a reduction of $28,202,000, consistent with the overall program procurement delays.

CAC LANGUAGE (Rpt. 107-350)

Page 242, Aircraft Procurement, Navy

F/A-18E/F (FIGHTER) HORNET (MYP) (AP-CY)	66,878	66,878	66,878	66,878
V-22 (MEDIUM LIFT)	1,009,881	790,881	783,181	783,181
V-22 (MEDIUM LIFT) (AP-CY)	48,428	48,428	36,428	36,428
AH-1W (HELICOPTER) SEA COBRA	1,383	1,383	1,383	1,383

Page 244, Aircraft Procurement, Navy

COMMON AVIONICS CHANGES	63,147	63,147	63,147	63,147
V-22 (TILT/ROTOR ACFT) OSPREY	35,000	35,000	---	17,500

Page 245, Aircraft Procurement, Navy

5	V-22 (MEDIUM LIFT)	1,009,881	790,881	783,181	783,181
	Reduce 3 aircraft		-219,000	-226,700	-226,700
	V-22 (MEDIUM LIFT) (AP-CY)	48,428	48,428	36,428	36,428
	Excessive Growth: Unrealistic Schedule			-12,000	-12,000

Page 246, Aircraft Procurement, Navy

47	V-22 (TILT/ROTOR AIRCRAFT) OSPREY	35,000	35,000		17,500
	Unjustified Funding			-35,000	-17,500

48	SPARES AND REPAIR PARTS	1,420,252	1,353,252	1,305,452	1,320,252
	Program Growth Reduction		-67,000		-100,000
	Excessive Growth: V-22			-99,000	0

Page 331, RDT&E, Navy

V-22A	546,735	446,735	546,735	446,735
AIR CREW SYSTEMS DEVELOPMENT	7,717	19,217	27,717	15,517

Page 340, RDT&E, Navy

107 V-22A	546,735	446,735	546,735	446,735
Program Restructure		-100,000		-100,000
108 AIR CREW SYSTEMS DEVELOPMENT	7,717	19,217	27,717	15,517

Page 296, Procurement, Defense-wide

CV-22 SOF MODIFICATION	28,202	28,202	---	18,202

Page 299, Procurement, Defense-wide

	Production Reduction	0	-3,000	-3,000
40	**CV-22 SOF Modification**	**28,202**	**28,202**	**0**	**18,202**
	Production Delay	0	-28,202	-10,000
44	**ADVANCED SEAL DELIVERY SYS**	**33,439**	**14,238**	**37,428**	**27,428**

Contains no language.